CHAPTER EIGHT

Financing and Management Program

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The purpose of this chapter is to outline those steps that need to be taken to implement the Airport Master Plan program. The chapter will discuss airport development revenue sources, the relationship between airport revenues and expenditures, lease structures, airport management, and marketing of the facility. For the plan to be successful, the County, along with support from the airport users, must be cooperative of airport development as it relates to other public works projects. In addition, effective management will help promote a facility that is acceptable to the user and general public alike -- one that is substantially user-supported and self-sustaining.

AIRPORT DEVELOPMENT FUNDING

Phased development of the proposed airport facility could cost over $3 million over the next twenty years. However, a substantial portion of this money may be available from other sources. In fact, over 69 percent of the estimated cost for development could come from grants from the Federal Aviation Administration and Arizona Department of Transportation (ADOT). The following sources for revenue and financial assistance are, or may become alternatives for, airport improvement financing.

Federal Aviation Administration

The first national airport improvement program was established soon after the completion of World War II. The purpose of the program was to establish, develop, and maintain a system of airport facilities for the purpose of national defense and for the promotion of interstate commerce.

The most recent program, the Airport and Airways Improvement Program (AIP) provides ***90 percent grants for planning and for eligible development improvements***. Money for these AIP grants comes from the Aviation Trust Fund. These user-generated funds are derived from taxes on airline passenger tickets, aviation fuel, lubricants, tires and tubes, aircraft registrations, and other aviation-related fees. None of the money used for the AIP comes from general tax revenues. The funds are normally distributed by the Federal Aviation Administration to eligible airports nationwide under appropriations set by Congress.

Grants for planning, development, or noise compatibility projects under the AIP are at or associated with individual public-use airports. A public-use airport is an airport open to the public; and

1. publicly owned, or
2. privately owned but designated by the FAA as a reliever, or
3. privately owned but having scheduled service and at least 2,500 annual enplanements.

To be eligible for a grant, an airport must be included in the National Plan of Integrated Airport Systems (NPIAS). The NPIAS, which is prepared by the FAA and published every 2 years, identifies public-use airports considered necessary to provide a safe, efficient, and integrated system of airports to meet the needs of civil aviation, national defense, and the Postal Service. The NPIAS currently contains approximately 3,600 airports.

The description of eligible grant activities that follows also identifies basic qualifications the airport owner (usually a city or county) must meet in order to receive a grant for that activity. In addition to these basic qualifications, the airport owner must be legally, financially, and otherwise able to assume and carry out the assurances and obligations contained in the project application and grant agreement.

As stated, the distribution of grants under the AIP is primarily managed by the Federal Aviation Administration.

Arizona Department of Transportation

ADOT has its own statewide program to administer and distribute grants to general aviation airports. The state program is divided into a three-part system including commercial service, primary, and secondary systems. Cochise County Airport qualifies as a primary public use airport. Under the primary classification, ***Cochise County Airport is eligible for grants on a 90% state grant and 10% local match.*** Primary airports meet the following criteria:

- ▲ 10 or more based aircraft and/or more than 2,000 annual operations.
- ▲ have scheduled air carrier service.
- ▲ have regular commuter service.
- ▲ are projected to meet any of the criteria within ten years.

ADOT has a maximum annual grant amount of $980,000 for eligible airport projects.

A loan program is also available from ADOT which was established to assist the sponsor in three ways. The first is the Grant Advance in which funds are loaned to speed up the development of multi-staged projects. The loan program can also be used toward local matching funds on eligible projects. Finally, the loan program can be used on non-eligible revenue generating projects. These could be construction of hangars or a terminal building.

Local Funding

The total cost for airport development for the Cochise County Airport over the next twenty years has been estimated at $3,425,000. This amount includes the terminal building and individual conventional and T-hangar buildings. Of this amount, $2,364,750 is eligible for FAA and ADOT participation and funding. Therefore, it is possible to secure approximately 69 percent of the total twenty-year development costs through funding from the FAA and ADOT programs.

The ability and desire of a community to provide the local matching share on improvement projects is extremely important in the priority of FAA AIP and state funding. The local share in many ways ***represents a community's interest and value for the airport.*** Those communities that cannot or will not readily support their local share are given less consideration from the FAA or the State. The following text describes methods available to Cochise County for funding airport improvements.

On-Site Industrial or Agricultural Leases

When space is available for these uses, bids can be taken from interested tenants for use of the airport property. Bids should be solicited so the airport is able to receive the best offer and the greatest amount of revenue. Areas available for these types of uses are identified on the Airport Plans. Cochise County is currently leasing 400 acres for agricultural purposes.

Fixed-Base Operator (FBO) Leases

Services provided by fixed-base operators are a major factor in the successful operation of the airport. The more services offered at an airport translate directly to higher usage rates. Facilities and/or land can be leased to an FBO to operate a business.

User Charges

User fees are more common at larger air carrier airports where landing fees are assessed. At smaller general aviation airports, charges can be levied on commercial operators using the field, on aircraft specialty shops, and on hangars and aircraft tie-downs.

Bank Loans

Construction of hangars and some of the lower cost improvements can be financed with conventional bank loans.

General Obligation Bonds

This source of revenue is generated through the issuance of bonds, backed by the general obligation of the community. The revenues from these bonds are generally used only for major construction or improvement projects at the airport.

With the phasing of improvements over the twenty-year planning period, and with the continuation of the Federal and State programs, the local share for any one improvement project has been minimized. Therefore, the issuance of G.A. bonds may not be required during the airport development program.

In-Kind Services

In-kind services can also be used as the local match required by the FAA and ADOT. Labor and equipment used toward the enhancement of aviation in the community is allowed as matching share. This form of funding works well for small communities that have the know-how but not the capital to pay for the service.

Forfeiture of Surplus Military

Often, equipment becomes available from the military which can be used for the airport. Items such as motor graders, auxiliary power units, firefighting and other equipment can often be obtained for very nominal fees.

Other Sources

From a recent survey, the following additional sources of revenue and financial assistance have been employed, or are potential sources for airport improvement funding:

- Regional Funds
- Industrial Revenue Bonds
- Investment of Airport Fund Residuals
- Non-Profit Authorization
- Car Rental
- Auto Parking Meters and Charges
- Business License Tax
- Display Rental
- Restaurant Leases
- Residence Lease/Rental

Many of these sources are not applicable funding sources for major capital improvements, but may become useful during future construction phases.

PROJECTED AIRPORT REVENUE AND EXPENDITURES

The ideal and ultimate goal of any airport should be the capability of supporting its own operation and development through airport user fees. Unfortunately, very few general aviation airports do this. Often this is because of the fee structure being assessed to airport users. For example, an airport cannot expect to meet operating expenses when the revenue received from hangar rentals will not even amortize the cost of construction. This is often the case, which makes it clear why many communities often complain about the high costs of maintaining their airports. These same communities, however, continue to subsidize the airport's operation because they recognize its value to the area. Yet, by establishing reasonable fees, these airports may still not reach the break-even point, but will certainly gain a more positive position financially.

The following sections discuss the areas of revenue potential for Cochise County Airport and make some realistic suggestions for fee structures to help meet operating expenses and to help support the capital improvement program. It should be noted that the existing agreement between the FBO and County is working well and should continue.

Every effort should be made to make the airport as self-sufficient as possible. The best way of accomplishing this is through adequate user fees. Based on user revenue rates developed from the analysis of regional U.S. airports, the following rates, as given on the next pages, would be applicable to the Cochise County Airport.[1] The following section suggests some parameters in which new leases could be structured. However, local economic factors must be considered when new leases are formed.

Lease Agreements

Those areas on the airport which are not expressly required for aeronautical purposes should provide income to the airport through a variety of lease agreements. Property leases range from ground leases for those individuals wanting to build hangars on the airport, to agricultural leases, to rental of space in the terminal building.

Terminal Building Area - The terminal/administration building is to remain at approximately 1,300 square feet, of which about 35% could be leased for office space. For 2002, average rent for office space would be about $5.50 per square foot annually.

[1] User revenue rates developed from information contained in An Analysis of Airport Rates and Charges, National Air Transportation Association, 1992.

Terminal Building revenue rates suggested through the plan period are:

1997 - $5.00/square foot/year
2002 - $5.50/square foot/year
2007 - $6.10/square foot/year
2012 - $6.80/square foot/year
2017 - $7.50/square foot/year

Private T-Hangar or Conventional Ground Lease Areas - As development at the airport occurs, construction of privately-owned hangar space should be encouraged. Suggested user revenue rates should be lower than those of any County-owned space to encourage private hangar development. Assumes that a 1,600 square foot hangar is constructed.

Suggested user revenue rates are:

1997 - $0.25/square foot/year
2002 - $0.30/square foot/year
2007 - $0.35/square foot/year
2012 - $0.40/square foot/year
2017 - $0.50/square foot/year

County-Owned T-Hangars - The number of T-hangars on the airport is expected to increase through the plan period. Rental rates for County-owned facilities must be sufficient to cover amortization and construction costs, assuming an average of 1,200 square feet per hangar.

Suggested user revenue rates are:*

1997 - $1.20/square foot/year = $120/month
2002 - $1.50/square foot/year = $150/month
2007 - $1.55/square foot/year = $155/month
2012 - $1.60/square foot/year = $160/month
2017 - $1.65/square foot/year = $165/month

*Based upon new hangar construction

County-Owned Conventional Hangars - Any hangars constructed by the County must provide sufficient annual income to pay for construction.

Suggested user rates are:

1997 - $4.90/square foot/year
2002 - $5.10/square foot/year
2007 - $5.50/square foot/year
2012 - $5.90/square foot/year
2017 - $6.30/square foot/year

Tie-Downs - With increased apron and tie-down areas planned throughout the phases of the Master Plan, it is anticipated that aircraft tie-down fees for based aircraft could provide significant yearly income. A tie-down of $10 per month or $3 per night was used in this analysis and escalating as follows:

Based Aircraft:

1997 - $10.00/space/month
2002 - $15.00/space/month
2007 - $20.00/space/month
2012 - $25.00/space/month
2017 - $30.00/space/month

Itinerant Aircraft:

1997 - $3.00/night
2002 - $4.00/night
2007 - $5.00/night
2012 - $6.00/night
2017 - $8.00/night

Fuel Sales - Based on 1996 fuel sales figures, it is estimated that about 1,900 gallons of fuel are sold per based aircraft. Assuming that level, annual fuel sales would be expected to total 64,600 gallons by 2017. By continuing to collect fuel flowage fees at the airport, the County will generate more revenue as based aircraft and aircraft operations increase.

Concessions and Miscellaneous - There are several other sources of income that would likely be applicable to the new airport including royalties from vending machines, car rental, pay telephones, etc. Additional percentages from FBO sales might include oil, engine maintenance, and pilot services. In general, revenues from concessions are estimated to be about five cents per operation.

Operating Expenses

For the most part, operating expenses at general aviation airports fall into four main categories: administration/maintenance, utilities, and supplies and miscellaneous. Normally, the number of based aircraft at an airport and level of activity is a rough indicator of levels of operating expenses; that is, as the numbers of based aircraft increase, operating expenses increase at relatively the same proportion. Operating deficits at a similar utility-type airport range from about $10,000 to $40,000 annually depending on types of services provided and maintenance procedures.

Administration - Administrative costs include items such as employee salaries, benefits, liability insurance, dues, etc.

Maintenance - General maintenance costs include the day-to-day upkeep of the airfield and terminal area facilities. These costs include runway and apron crack sealing, mowing, snow removal, solid waste disposal, and repairs to all airport-owned equipment and facilities.

Utilities- Electricity for airfield lighting-- runway and taxiway lights, the rotating beacon, terminal building requirements, etc. -- will account for the primary utility expense at the new airport. Other utilities for the terminal building include gas, sewage treatment, water, and phones. Utilities to privately-owned buildings would be paid by the tenants.

Supplies and Miscellaneous - This general category includes those items and commodities required for the day-to-day operation of the airport. These include office supplies, minor equipment, postage, etc. At general aviation airports, these costs normally are about 10 percent of other operating expenses.

Table 8.1
Cash Flow Analysis
Cochise County Airport

Revenues	Existing	2002	2007	2012
County Owned Hangars	$4,400	$7,800	$8,800	$9,800
Federal/State Grants	236,250	-- *	-- *	-- *
Existing Ground Lease	400	600	800	1,000
Fuel Sales	1,500	2,100	2,700	3,300
Future Ground Lease from Hangars	0	2,500	3,000	3,500
Tiedown Fees	0	360	480	600
Total Operating Revenue	**$242,550**	**$13,360**	**$15,780**	**$18,200**
Expenses	**Existing**	**2002**	**2007**	**2012**
Supplies (Office, Jan. Misc.)	$1,050	$1,217	$1,410	$1,635
Motor Vehicle	450	522	605	701
Airport Professional Services (Grants, Construction, Planning)	270,875	-- *	-- *	-- *
Telephone	1,300	1,506	1,745	2,023
Postage/Legal Notices	400	463	537	622
Insurance	12,100	14,023	16,253	18,837
Electricity	8,000	5,800	6,722	7,791
Refuse Disposal	528	612	709	822
B & G (Bowie Airstrip)	3,500	0	0	0
Building and Grounds	0	3,000	3,500	4,000
Fuel Tanks and Fees	12,100	2,400	2,800	3,250
Total Expenses	**$302,103**	**$29,480**	**$34,281**	**$39,681**
Net Operating Income <Deficit> Less Grants	**<$42,228>**	**<$16,120>**	**<$18,501>**	**<$21,481>**

* Note - Federal and state grants cannot be assumed. Cash flow analysis for purpose of reviewing airport driven revenues and expenses.

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